

OTTSEN, MAUZÉ, LEGGAT & BELZ, L.C.  
ATTORNEYS AT LAW  
THE MIDVALE BUILDING  
112 SOUTH HANLEY  
ST. LOUIS, MISSOURI 63105-3418  
(314) 726-2800

JAMES F. MAUZÉ

FACSIMILE  
(314) 863-3821  
E-MAIL  
jfmauze@email.msn.com

November 1, 1999

FILED

NOV - 2 1999

VIA UPS OVERNIGHT DELIVERY

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Judge  
Missouri Public Service Commission  
301 West High Street - 5<sup>th</sup> Floor  
Jefferson City, Missouri 65102

Missouri Public  
Service Commission

TA-2000-313

**RE: Eagle Communications Missouri, Inc.**

Dear Mr. Roberts:

Enclosed please find an original and sixteen (16) copies of an Application for Certificate of Service Authority and Competitive Classification for Eagle Communications Missouri, Inc. Please file this Application in your usual manner and return the two extra enclosed copies with the date of filing stamped thereon directly to the undersigned in the enclosed self-addressed stamped envelope at your earliest opportunity.

Should you have any questions with respect to this filing, please contact me. Thank you for your attention to and assistance with this matter.

Very truly yours,

*James F. Mauzé /tip*

James F. Mauzé

JFM\wh  
Enclosure

cc: Office of Public Counsel (w/enclosure)  
David O. Klein (w/enclosure)

03201\A02

FILED

NOV - 2 1999

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Missouri Public  
Service Commission

In the Matter of the Application of )  
Eagle Communications Missouri, Inc. for a )  
Certificate of Service Authority to Provide )  
Basic Local Telecommunications )  
Service in Portions of the State of )  
Missouri and to Classify Said Services )  
and the Company as Competitive )

Case No. TA-2000-313

**APPLICATION FOR CERTIFICATE OF SERVICE AUTHORITY  
AND FOR COMPETITIVE CLASSIFICATION**

Comes now Eagle Communications Missouri, Inc. ("Eagle" or "Applicant"), by its undersigned counsel and hereby applies pursuant to Sections 392.361, 392.420, and 392.430 RSMo 1994, 392.410, 392.450 RSMo Supp. 1996, the Federal Telecommunications Act of 1996, and 4 CSR 240-2.060, for authority to provide resold and facilities-based basic local telecommunications service in portions of the State of Missouri and to classify said service and the Company as competitive. In support of its Application, Applicant states the following:

1. Eagle is a corporation duly organized and existing under and by virtue of the laws of the State of New York and is duly authorized to do business in Missouri. Pursuant to the relevant provisions of 4 CSR 240-2.060, documents from the Secretary of State of both Missouri and New York are attached hereto and incorporated herein by reference as Exhibit 1. Eagle's principal place of business and mailing address is 60 East 56<sup>th</sup> Street, New York, NY 10022 and its telephone number (212) 758-3283.

2. All inquiries, correspondence, communications, pleadings, notices, orders and decisions relating to this case should be addressed to:

Ms. Ellen Skrzypek  
Regulatory Compliance  
Eagle Communications, Inc.  
60 East 56<sup>th</sup> Street  
New York, NY 10022  
(212) 758-3283

David O. Klein  
Klein, Zelman, Rothermel & Dichter, LLP  
485 Madison Avenue  
New York, NY 10022  
(212) 935-6020  
(212) 753-8101 (FAX)

Mr. James F. Mauzé  
Mr. Thomas E. Pulliam  
Ottsen, Mauzé, Leggat & Belz, L.C.  
The Midvale Building  
112 South Hanley  
St. Louis, Missouri 63105-3418  
(314) 726-2800  
(314) 863-3821 (FAX)

3. Eagle proposes to provide basic local exchange telecommunications service on a facilities-based and resold basis, throughout all the exchanges currently served by the incumbent local exchange telecommunications company Southwestern Bell Telephone Company ("SWBT"). The specific SWBT exchanges within which Eagle proposes to offer service are listed in the incumbent provider's local exchange tariff. Eagle's proposed service areas will follow the respective exchange boundaries of SWBT.

4. Eagle intends to provide, through resale and its facilities, all forms of basic local telecommunications service to business and residential customers in the State of Missouri including: local dial tone services, local exchange services to single-line and multi-line customers (including basic business and residential lines, direct inward and outward PBX trunk service, Centrex services and ISDN services), as well as switched and special carrier access services to other common carriers on an equal basis. In addition, Eagle will, through interconnection with Incumbent Local Exchange Carriers ("ILECs"), offer 911 and enhanced 911 emergency service, directory assistance and operator assisted dialing, dual party relay services and other miscellaneous services currently provided by existing local exchange carriers.

5. Eagle possesses the technical and managerial expertise and experience necessary to provide the services it proposes. The President of Eagle has extensive experience in the telecommunications industry. The relevant operational and managerial experience of Eagle's Staff is set forth in Exhibit 2 attached hereto.

6. Attached hereto as Exhibit 3 is a copy of Eagle's audited financial statements for the fiscal years ending December 31, 1996 and December 31, 1997. These financial statements demonstrate that Eagle has grown exponentially in recent years and has the financial ability to provide the services that it hereby requests authority to offer to the public. Eagle presently has \$2,500,000.00 in available capital that it can dedicate to its operation in the State.

7. Eagle also seeks classification of itself and its telecommunications services as competitive, with accompanying reduced regulation pursuant to Section 392.361 and 392.420 RSMo 1994. The existing service offerings of numerous, previously certificated providers of non-switched local and interexchange telecommunications services have been routinely classified as competitive by the Commission. The existing monopoly services of SWBT will make basic local markets Eagle seeks to enter sufficiently competitive to require a lesser degree of regulation for Eagle and render its proposed services in the public interest, consistent with the legislative policies established by the Federal Telecommunications Act of 1996 and the recent revisions to Chapter 392 RSMo. This Commission has already granted numerous applications to provide basic local telecommunications services filed by new market entrants and has classified those new entrants and their services as competitive.

8. Applicant will offer basic local telecommunications service as a separate and distinct service in accordance with applicable law. Applicant will provide equitable access for all customers in Missouri, without regard to their income or where they might reside, to affordable

telecommunications services in Applicant's proposed service areas in accordance with applicable law.

9. Applicant is willing to comply with all applicable Commission rules and is willing to meet all relevant service standards, including, but not limited to, billing, quality of service and tariff filing and maintenance. Consistent with the Commission's treatment of other certified competitive local exchange telecommunications companies, Applicant requests that, at minimum, the following statutes and regulations be waived for the Applicant and its basic local exchange service offerings at this time:

<u>Statutes</u>	<u>Commission Rules and Regulations</u>
392.210.2	4 CSR 240-10.020
392.270	4 CSR 240-30.040
392.280	4 CSR 240-35
392.290.1	
392.300.2	
392.310	
392.320	
392.330	
392.340	

10. Eagle further requests a temporary waiver of 4 CSR 240-2.060(4)(H). This rule requires that an application for a certificate of service authority to provide interexchange, local exchange or basic local exchange service shall include a proposed tariff with a forty-five day effective date. Eagle finds it impossible at this time to develop tariffs to fully comply with this rule since Eagle has not yet executed or received Commission approval of any interconnection agreements with any of the State's ILECs. At such time as all facts necessary for the development of such tariffs are known to Eagle, it will promptly submit said tariffs bearing no less than a 30 day effective date to the Commission in a manner consistent with recent Commission practice in other similar cases.

11. Eagle submits that the public interest will be served by Commission approval of this application because Applicant's proposed services will create and enhance competition and expand customer service options, consistent with the legislative goals set forth in the Federal Telecommunications Act of 1996 and Chapter 392 RSMo. Prompt approval of this application also will expand the availability of innovative, high quality and reliable telecommunications services within the State of Missouri.

### CONCLUSION

Wherefore, Eagle Communications Missouri, Inc. respectfully requests that the Commission grant it a certificate of service authority to provide basic local telecommunications service as herein requested, classify Eagle and its proposed services as competitive, and grant a waiver of the aforesaid statutes and regulations.

Respectfully submitted,

*David O. Klein / rep*

David O. Klein  
Klein, Zelman, Rothermel & Dichter, LLP  
485 Madison Avenue  
New York, NY 10022  
(212) 935-6020  
Attorney for Eagle Communications Missouri, Inc.

*James F. Mauzé / rep*

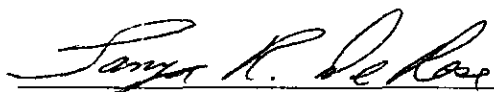
James F. Mauzé #18684  
Thomas E. Pulliam #31036  
Ottsen, Mauzé, Leggat & Belz, L.C.  
The Midvale Building  
112 South Hanley  
St. Louis, Missouri 63105-3418  
(314) 726-2800  
Attorney for Eagle Communications Missouri, Inc.


**VERIFICATION**

I, Kent Charugundla, being first and duly sworn, depose and state that I am the President of Eagle Communications Missouri, Inc. in the subject proceeding, that I am authorized to make this verification on behalf of Eagle Communications Missouri, Inc., that I have read the foregoing application and know the contents thereof, and that the same are true to the best of my knowledge, information and belief.

  
Kent Charugundla

Sworn to me before, the undersigned Notary Public on this the 8<sup>th</sup> day of October, 1999.

  
Notary Public

  
Print or Type Name

**TANYA R. DeROSE**  
**Notary Public, State of New York**  
**No. 03-4973858**  
**Qualified in New York County**  
**Commission Expires Nov. 19, 2000**

**EXHIBIT 1**

**Certificate of Incorporation and Foreign Business Authorization**



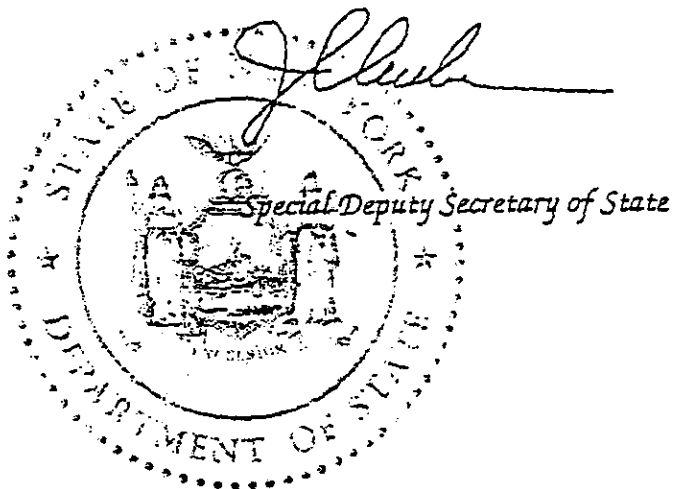
State of New York  
Department of State | ss:

I hereby certify, that the certificate of incorporation of EAGLE COMMUNICATIONS, INC. was filed on 05/31/1988, with perpetual duration, and that a diligent examination has been made of the index of corporation papers filed in this Department for a certificate, order, or record of a dissolution, and upon such examination, no such certificate, order or record has been found, and that so far as indicated by the records of this Department, such corporation is a subsisting corporation.

\*\*\*

*Witness my hand and the official seal  
of the Department of State at the City  
of Albany, this 03rd day of June  
one thousand nine hundred and  
ninety-seven.*

199706040137 47



# STATE OF MISSOURI



**Rebecca McDowell Cook**  
**Secretary of State**

CORPORATION DIVISION - CERTIFICATE OF AUTHORITY

WHEREAS,  
 EAGLE COMMUNICATIONS, INC.

USING IN MISSOURI THE NAME  
 EAGLE COMMUNICATIONS MISSOURI, INC.

HAS COMPLIED WITH THE GENERAL AND BUSINESS CORPORATION LAW WHICH GOVERNS FOREIGN CORPORATIONS; BY FILING IN THE OFFICE OF THE SECRETARY OF STATE OF MISSOURI AUTHENTICATED EVIDENCE OF ITS INCORPORATION AND GOOD STANDING UNDER THE LAWS OF THE STATE OF NEW YORK.

NOW, THEREFORE, I, REBECCA MCDOWELL COOK, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT SAID CORPORATION IS FROM THIS DATE DULY AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE, AND IS ENTITLED TO ALL RIGHTS AND PRIVILEGES GRANTED TO FOREIGN CORPORATIONS UNDER THE GENERAL AND BUSINESS CORPORATION LAW OF MISSOURI.

IN TESTIMONY WHEREOF, I HAVE SET MY HAND AND IMPRINTED THE GREAT SEAL OF THE STATE OF MISSOURI, ON THIS, THE 20TH DAY OF SEPTEMBER, 1999.

*Rebecca McDowell Cook*  
 Secretary of State



\$155.00



State of Missouri  
Rebecca McDowell Cook, Secretary of State

Corporation Division

Application for Foreign Corporation  
For a Certificate of Authority

FILED  
AND CERTIFICATE OF  
AUTHORITY ISSUED

(Submit in duplicate with filing fee of \$155.00)

SEP 20 1999

(1) The corporation's name is Eagle Communications, Inc.  
and it is organized and existing under the laws of New York State

Rebecca McDowell Cook  
SECRETARY OF STATE

(2) The name it will use in Missouri is Eagle Communications Missouri, Inc.

(3) The date of its incorporation was May 31, 1988, and the period of its duration is: Perpetual  
month/day/year

(4) The address of its principal place of business 60 E. 56th Street New York, NY 10022  
Address City/State/Zip

(5) The name and address of its registered agent and office in the State of Missouri is

Corporation Service Company d/b/a CSC-Lawyers  
Incorporating Service Company  
Name

221 Bolivar Street, Jefferson City, Missouri 65101  
Address City/State/Zip

(6) The specific purpose(s) of its business in Missouri are: Eagle intends to subscribe to and resell local telephone service, and voice and data communication services.

(7) The name of its officers and directors and their business addresses are as follows:

(Officers)	Name	Address	City/State/Zip
President	Kent Charugundla	60 E. 56th Street	New York, NY 10022
Vice President			
Secretary			
Treasurer			

(Board of Directors)

Director	Kent Charugundla	60 E. 56th Street	New York, NY 10022
Director			
Director			
Director			

(8) The effective date of this document is the date it is filed by the Secretary of State of Missouri, unless you indicate a future date, as follows:

(Date may not be more than 90 days after the filing date in this office)

In affirmation thereof, the facts stated above are true.

Kent Charugundla  
(Authorized signature of officer or chairman of the board)

President/Director  
(Title)

8/27/99  
(Date of Signature)

Note: You must have a current certificate of good standing or certificate of existence with this application. This may be obtained from the Secretary of State or other authority that issues corporate charters.

**EXHIBIT 2**  
**Personnel Managerial and Technical Experience**

## Kent S. Charugundla

President/CEO

Eagle Communications, Inc.

60 E 56<sup>th</sup> Street, 9<sup>th</sup> Fl.

New York, NY 10022

### Eagle Communications, Inc., President

1988 to Present

Competitive Local Exchange Carrier

1988-1991

- Manage information services bureau in providing time, weather and lottery results to general public.
- Instrumental in writing proprietary software package where callers can get information via touch tone 24 hours a day on demand.
- Team leader on development for billing services with ANI capture services with 8 programmers.
- Successfully negotiate special billing agreement with AT&T for LEC billing.
- Developed and managed call center with lucent definite generic rev. 1.1 switch equipped with CMS-3B2 software.
- Manage traffic forecast in maintaining P.01 grade of service to customers.
- Self installed and maintained Verilink CSU-DSU's to connect to PSTN.
- Maintain the switch by building own hunt groups, phantom groups, TAC's, LCR-tables and programmed Voice terminals.
- Participated in research forum for AIN services for Ameritech and Nortel.

1992-95

- Company was inactive.

1996-98

- Instrumental to receiving approvals for Eagle CLEC status in NY, NJ, NC, SC, FL, MA, OH, PA, GA, & TN.
- Currently serving over 20,000 access lines.
- Experienced in evaluating and selecting billing systems.
- Extensive experience in combining data and voice solutions as a single vendor to customers.

### American Network, Inc., President

1991 to Present

Internet Provider Management Services

- Involvement in Internet service provider router programming, connecting router to telecommunications networks.
- Communicate with telecommunications companies and Carriers on different protocols needed for data communications.
- Customer Service - developed Internet Help Desk; wrote and implemented plan for customer service and 24-hour technical support.
- Involved in day-to day operations, including error-free services of Check free Credit Card clearing protocol; ease of process for activation & disconnection of accounts, reducing customer complaints to almost zero.
- Trained customer service personnel to understand error codes for credit card declines, thus making the help desk more efficient.

### Eagle Teleconferencing Services, Inc., President

1992 to Dec 1998

Conference calling services geared toward large carriers, telecommunications companies, long distance and telephone companies to resell the product.

- Oversee all aspects of the company, including technical engineering, sales, promotions, software development & product planning
- Designed billing system to incorporate multiple conference bridges CKR format to be combined into a standard format.
- Created readable & understandable user bills, as well as module to collect various tax structures with efficiency and effectiveness
- Secured over 3000 customers for 2000 line conference centers

### Previously Held Positions & Areas of Business

Licensed Real Estate Broker

New York State, Prepaid calling card Company.

# Barbara J. D'Elia

---

## Experience

### **Sr. Manager Network Planning    TCG/AT&T**

**May 1998--Present    Rochester, NY**

Provide leadership and direction for seven project managers for the following responsibilities :

- Local and long distance facility planning and implementation for both network and customer.
- E911 services
- LEC and IXC Interconnect for Local and Long Distance Switches
  - Tracking installation
  - Entrance facilities
  - Tracking critical dates
  - Ensure sufficient switch and transport capacity
  - Provide forecast to LEC
- Optimization of the current 100% Type II network consisting of 8,000 circuits and 500 facilities
  - Initiate roll of facilities and associated circuits
  - Work with Sales and Provisioning to establish customer roll date
  - Work with Operations to provide proper work load balance
  - Point of contact for LEC interface
- Cost analysis on all network facilities and circuits
- Integration of all circuits and facilities into ASR and COLR
- CIC code change for Residential customers
- Interconnect of ALS 5ESS to AT&T CORE 4ESS
- Provides Provisioning with CFA slot assignment on all DS3 Facilities
- Provide Network and Switch planning with Upstate region trend forecasting
- Project manage all switch augments for city operations

Planning Unit is responsible for the overall planning, organizing, facilitating, cost management, risk analysis, and tracking of work efforts to ensure network availability. This includes multiple processes an organizations that include representatives from product service management, systems engineering, network implementation, provisioning, maintenance, billing, network planning, and switch planning.

**Kansas City Fibernet Integration Manager TCG**  
**Kansas City/Staten Island**

**February 1998-June 1998**

- Provided Kansas City Fibernet's engineering and operations with an overview of TCG's process and procedures.
- Analyzed network synergies for future optimization.
- Coordinate the builds of Kansas City's network infrastructure in COLR.
- Trained personnel in COLR equipment builds, CLI code implementation and ASR process.

**Project Manager Reconciliation TCG**

**August 1996-January 1998 Houston / Dallas, Texas**

- Management of the reconciliation project for both operations and engineering of the Dallas database network.
- Established deliverables, delegate responsibilities to appropriate divisions and individuals.
- Anticipate problems and complications, and formulate solutions so not to impede progress of the project.
- Maintain clear, concise files and project spreadsheets.
- Managed day to day scheduling of seven operation's personnel and two on site engineering personnel
- Developed an extensive Field Operations knowledge of techniques and quality management

**Project Manager Reconciliation TCG**

**August 1994-August 1996 Staten Island, New York**

- Management of Nationwide Billing to COLR reconciliation for 28 cities.
- Successfully reduced the error rate from 12.9% (September 1995) to .78% (July 1996)
- Project was completed on time and under budget.
- Responsible for all reengineering
- Discrepancies uncovered resulted in recouping \$150,000 of monthly recurring revenue.
- MTTR was reduced due to COLR being accurate and the reduction of paper COLRs.
- Developed process for Customer Service Center, Network Management Center, Operations, Order Entry Group and Network Engineering to continue the reduction of billing to COLD error rate.

**New City Development Market Analysts TCG**

**August 1994-July 1991 Staten Island, New York**

Responsible for major market research for new city development. Analyzed market research material to provide management with an accurate market feasibility. Develop an overall growth plan based on current market need and growth potential for each targeted city. Researched cost and process in developing new market that included real-estate costs, current county and state ROW status, developed contact list in each targeted city.

**1974 to 1978 NY Telephone**

Switching Technician and Switching Foreman Responsible for cut overs from Electro Mechanical to Stored Program (1A ESS) switches in Northern Manhattan and Bronx.

**1978 to 1980 NY Telephone**

Market Administrator (Sales Support) Responsible for design and implementation of Centrex and Electronic Tandem Networks in the Banking and Brokerage sector. Designed and implemented network for Chase Manhattan Bank, with 27 switching nodes nation wide, and 650 access nodes. Project managed Merrill Lynch's 9,900 change of telephone number project from 212-766 and 212-285 to 212-637.

**1980 to 1983 AT&T Long Lines**

Market Administrator. Network Design consultant.

Responsible for designing implementation and supporting Electronic Tandem Networks (ETN) for the Financial and Petro Chemical sectors. Accounts supported included Chase, Citibank, American Express, Mobil Oil, and Texaco.

**1984 to 1987**

Project Manager for the World Financial Center, Single Point of Contact for the relocation of Merrill Lynch, American Express, Shearson Lehman, E.F. Hutton, Oppenheimer, Dow Jones, and NASDAC. Project included the design and implementation of a new Wire Center for NYNEX, and the installation and relocation of 3.1M lines and circuits, served as the Single Point of Contact for NYNEX.

**1987 to 1990 NYNEX**

Maintenance Engineer, responsible for the setup and cut over of new SESS switches in Manhattan. Responsibilities also included tier 3 support of field services.

**1991 to 1994 NYNEX**

Responsible for coordinating technical functions in supporting regulatory issues relating to CLEC and Co-Location dockets.

**1994 to 1996 USN Communications**

VP Operations, responsibilities included negotiating carrier contracts with Sprint and MCI for Long Distance service, NYNEX and Ameritech for Local Resale services. Coordinated implementation of both. Responsible for MIS development.

**1996 to 1997 US ONE**

Responsible for Switch Cut over, MIS and Billing services coordination, and providing Technical Support to Carrier Sales.

**1997 to Present Consultant**

Consultant Services include Bid Coordination, Vendor Selection, Switch and Facility Design and Implementation, Project Management, and Cut over.

**1998 to Present Eagle Communications, Inc.**

Vice President of Engineering

Kevin J. Burke



Consulting / Investment Banking Assignments

- *Exco USA (a subsidiary of Exco PLC)*

*Provided financial services to the U.S. division of an international, London-based securities firm. Working for CEO and COO to assess feasibility of expanding operations such as start-up or acquisition of additional product desks. Analyze budgets against forecast for London headquarters review.*

- *Moscow Business telephone Guide™*

*Currently advising American yellow pages publisher on the sale of this Moscow business directory and web site. Preparing company profile and financials ("black book") and researching potential buyers. Making recommendations for increasing marketability by expanding the function and distribution of the publication to the United States.*

- *Ocean Records. LLC*

*Currently advising this independent record label with eight artists under contract, on raising capital via equity and debt. Assisted CEO in preparation of business plan for review by potential investors.*

- *Wild Pitch Records. LLC*

*Currently advising this independent record label with thirteen artists under contract, on raising \$10 million in capital via equity and debt.*

- *GleacherNatWest (a subsidiary of National Westminster Bank PLC)*

*Provided financial services to this investment banking firm. Helped controller prepare financial statements for November and December.*

- *Quadrel Bros.*

*Provided financial services to this trucking, equipment leasing, cleaning, real estate holding company with operations in New Jersey, Louisiana, and Puerto Rico. Helped controller prepare financial statements for August through November. Made recommendations for reducing the costs of health benefits and telecommunications.*

- *Jezebel*

*Provided financial services to this 85-year-old apparel manufacturer to reorganize accounting functions. Performed internal audit and identified items to be completely depreciated; re-classed expenses and balance sheet items; matched expenses with income in proper periods. Created standard monthly tracking and procedures for reporting to the principals on cash flow, expenses, depreciation and amortization, P & L, and balance sheet.*

- *Miriam Gitterman-Menendez.*

*Negotiated and secured publishing contract for this writer and designer of word games and puzzles. Currently working on syndication.*

Employment

Medialink Worldwide Inc. (publicly traded as of 1/30/97), 708 Third Avenue, NY, NY

Assistant Controller: 9/96 - 6/97

- Assist CFO and Controller with administrative functions
- Responsible for Connecticut operations while sharing responsibility for worldwide operation
- Manage monthly close process
- Prepare monthly financial statements and related analyses of operating results
- Forecast annual budget
- Prepare for annual audit and year end tax returns
- Responsible for sales and use tax returns in New York and Connecticut, and rent tax return for NY
- Track fixed Assets and Depreciation
- Review A/P, A/R, and Payroll
- Daily cash and sales reporting

Veronis, Suhler & Associates, Inc. (investment banking firm), 350 Park Avenue, NY, NY

Controller: 3/94 - 9/96

Financial Analyst: 1/93 - 3/94 (replaced former controller)

- Responsible for overseeing the functions listed under Financial Analyst
- Assisted CFO in overseeing administrative functions
- Assisted principals with special projects
- Handled all tax related issues, including preparation for principals
- Performed treasury functions
- Reviewed A/P, A/R, and Payroll
- Assisted CFO with administrative functions
- Managed monthly close process (6 companies: sub-chapter S, 4 partnerships, venture capital fund)
- Prepared monthly financial statements and related analyses of operating results
- Forecasted annual budget
- Prepared for annual audit and year end tax returns
- Responsible for state informational tax returns for various states, in addition to all other tax related issues
- Prepared 401K tax return for outside vendor
- Approved accounts payable
- Tracked fixed assets and depreciation
- Analyzed financial statements and operating results of portfolio companies (cable, radio, tv, publishing)
- Handled all functions for merchant bank: client relations, call downs, management fees, allocation
- Responsible for all telecommunication operations

Time Distribution Services (a division of Time Warner), Time Life Bldg., NY, NY

Financial Analyst: 2/90 - 10/91

- Estimated sales for return reserve calculation
- Assisted in reconciling P & L to billing reports
- Maintained financial statements for, and assured timely payment outside clients
- Researched accounting issues, and performed special project analysis
- Assisted senior management in preparation of financial reports, budgets and estimates
- Worked with Marketing to forecast budget estimates for 28 magazines
- Forecasted cash
- Established internal procedures for newly implemented Canadian tax
- Prepared quarterly estimated GST tax returns payable to Canada
- Prepared actual v. forecast, actual v. budget, forecast v. budget

Accounting & Tax Services, P.O. Box 261, Wall St. Station, NY, NY

Staff Accountant: 4/89 - 2/90

Merrill Lynch, World Financial Center, NY, NY

Trading Desk - Capital Markets

Commercial Paper Specialist: 1/89 - 4/89

Medium Term Note Specialist: 7/88 - 1/89

Mellon Securities, 120 Broadway, NY, NY

Transfer Agent: 10/87 - 3/88 (Temporary position)

Additional Experience

New York City Board of Education, 110 Livingston St. Brooklyn, NY

Per Diem Substitute Certificate from the Board of Education

- Use vacation time to return to the classroom for personal satisfaction (time permitting)

Education

Walden University, Naples, FL

Ph.D - Business Administration, expected date of graduation June 2000

Adelphi University, Garden City, NY

MBA - Corporate Finance & Investment, (full-time night student) June 1993

St. Francis College, Brooklyn, NY

BA - Major: Economics, Minor: Business (full-time night student), December 1989

Computers

Windows 95 and Office 97; Macintosh (MacWrite, Multiplan)

Bloomberg System, TSO, CICS

Solomon III (Accounting System)

Memberships

NYSSA (New York Society of Security Analysts)

AIMR (Association for Investment Management and Research)

ICMA (Institute of Certified Management Accountants)

BCFM (Broadcast Cable Financial Management)

Listed in "Who's Who in Finance and Industry"

Business Accomplishments

Medialink Worldwide

Turned around inter-company relations and perception of the Accounting Department

Reduced long distance costs by \$30,000 annually

Veronis, Suhler & Associates

Instituted a new medical plan saving \$120,000 annually (33%) while increasing the level of benefits

Researched and implemented a long term disability plan for employees

Developed company's first accounting procedures manual

Worked with administrative manager in developing company's first employee benefit manual

Developed company's first computerized human resources program

Received a \$58,000 cash refund from NYNEX for over billing on basic line service

Instituted a toll free telephone number for traveling employees thereby saving \$2000 annually

Negotiated a new cellular telephone contract saving \$3312 annually

Time Distribution Services (a division of Time Warner)

Saved 8% annually on office supplies expense by conducting a cost analysis and changing suppliers

Developed corporate procedures for payment of GST tax to Canada upon inception of new fiscal requirement

**EXHIBIT 3**  
**Eagle's Audited Financial Statements**



**EAGLE COMMUNICATIONS, INC.**

Financial Statements

December 31, 1997 and 1996

(With Independent Auditors' Report Thereon)



345 Park Avenue  
New York, NY 10154

### Independent Auditors' Report

The Stockholder  
Eagle Communications, Inc.:

We have audited the accompanying balance sheets of Eagle Communications, Inc. as of December 31, 1997 and 1996, and the related statements of operations, stockholder's equity (deficiency) and cash flows for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagle Communications, Inc. as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1997 in conformity with generally accepted accounting principles.

February 1, 1999

KPMG LLP



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.

# EAGLE COMMUNICATIONS, INC.

## Balance Sheets

December 31, 1997 and 1996

Assets	<u>1997</u>	<u>1996</u>
Current assets:		
Cash and cash equivalents	\$ 70,007	12,688
Accounts receivable, less allowance for doubtful accounts of \$79,000 in 1997 and \$-0- in 1996	<u>1,167,603</u>	<u>12,351</u>
Total current assets	<u>1,237,610</u>	<u>25,039</u>
Property and equipment, net	138,495	3,181
Deferred tax asset	<u>7,000</u>	<u>—</u>
Total assets	<u>\$ 1,383,105</u>	<u>28,220</u>
<b>Liabilities and Stockholder's Equity (Deficiency)</b>		
Current liabilities:		
Accounts payable	\$ 1,003,468	25,913
Income taxes payable	43,621	—
Accrued expenses	34,406	—
Deferred revenue	14,268	—
Due to affiliated company	9,210	1,000
Note payable - related party	<u>3,000</u>	<u>—</u>
Total current liabilities	<u>1,107,973</u>	<u>26,913</u>
Loan payable to stockholder	95,015	95,015
Note payable - related party	—	3,000
Stockholder's equity (deficiency):		
Common stock, par value \$150 per share. Authorized 200 shares; issued and outstanding 10 shares in 1997 and 1996	1,500	1,500
Additional paid-in capital	183,000	—
Accumulated deficit	<u>(4,383)</u>	<u>(98,208)</u>
Total stockholder's equity (deficiency)	180,117	(96,708)
Commitments and contingencies		
Total liabilities and stockholder's equity (deficiency)	<u>\$ 1,383,105</u>	<u>28,220</u>

See accompanying notes to financial statements.

# EAGLE COMMUNICATIONS, INC.

## Statements of Operations

Years ended December 31, 1997, 1996 and 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Revenues	\$ 3,045,268	27,783	25,831
Operating expenses:			
Cost of services	2,245,082	13,229	11,265
Selling, general and administrative expenses	601,942	20,489	16,350
Depreciation and amortization	22,571	5,220	6,604
Write-down of equipment	46,337	—	—
Total operating expenses	<u>2,915,932</u>	<u>38,938</u>	<u>34,219</u>
Operating income (loss)	129,336	(11,155)	(8,388)
Other income (expense):			
Interest income	7,024	547	1,358
Interest expense	<u>(8,551)</u>	<u>—</u>	<u>(55)</u>
Income (loss) before income tax expense	<u>127,809</u>	<u>(10,608)</u>	<u>(7,085)</u>
Income tax expense	<u>33,984</u>	<u>—</u>	<u>—</u>
Net income (loss)	<u>\$ 93,825</u>	<u>(10,608)</u>	<u>(7,085)</u>

See accompanying notes to financial statements.



# EAGLE COMMUNICATIONS, INC.

## Statements of Stockholder's Equity (Deficiency)

Years ended December 31, 1997, 1996 and 1995

	<u>Shares</u>	<u>Amount</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total stock- holder's equity (deficiency)</u>
Balance at December 31, 1994	10	\$ 1,500	—	(80,515)	(79,015)
Net loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,085)</u>	<u>(7,085)</u>
Balance at December 31, 1995	10	1,500	—	(87,600)	(86,100)
Net loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,608)</u>	<u>(10,608)</u>
Balance at December 31, 1996	10	1,500	—	(98,208)	(96,708)
Net income	<u>—</u>	<u>—</u>	<u>—</u>	<u>93,825</u>	<u>93,825</u>
Noncash capital contribution	<u>—</u>	<u>—</u>	<u>183,000</u>	<u>—</u>	<u>183,000</u>
Balance at December 31, 1997	<u>10</u>	<u>\$ 1,500</u>	<u>183,000</u>	<u>(4,383)</u>	<u>180,117</u>

See accompanying notes to financial statements.

# EAGLE COMMUNICATIONS, INC.

## Statements of Cash Flows

Years ended December 31, 1997, 1996 and 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:			
Net income (loss)	\$ 93,825	(10,608)	(7,085)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
Noncash management service fees	183,000	—	—
Depreciation and amortization	22,571	5,220	6,604
Write-down of equipment	46,337	—	—
Provision for doubtful accounts	79,000	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(1,234,252)	(11,367)	388
Deferred tax asset	(7,000)	—	—
Accounts payable and accrued expenses	1,011,961	18,455	6,833
Income taxes payable	43,621	—	—
Deferred revenue	14,268	—	—
Due to affiliated company	8,210	1,000	—
Net cash provided by operating activities	<u>261,541</u>	<u>2,700</u>	<u>6,740</u>
Cash flows from investing activities:			
Capital expenditures	<u>(204,222)</u>	<u>—</u>	<u>—</u>
Net cash used in investing activities	<u>(204,222)</u>	<u>—</u>	<u>—</u>
Net increase in cash and cash equivalents	<u>57,319</u>	<u>2,700</u>	<u>6,740</u>
Cash and cash equivalents at beginning of year	<u>12,688</u>	<u>9,988</u>	<u>3,248</u>
Cash and cash equivalents at end of year	<u>\$ 70,007</u>	<u>12,688</u>	<u>9,988</u>
Cash paid for:			
Income taxes	<u>\$ —</u>	<u>—</u>	<u>—</u>
Interest expense	<u>\$ —</u>	<u>55</u>	<u>—</u>

See accompanying notes to financial statements.

# EAGLE COMMUNICATIONS, INC.

## Notes to Financial Statements

December 31, 1997 and 1996

### (1) Organization and Nature of Business

Eagle Communications, Inc. (the "Company" or "Eagle") was formed in May 1988 and commenced operations as a non-facilities based Competitive Local Exchange Carrier ("CLEC") in 1996. The Company is a reseller of local and enhanced telecommunication services to primarily Enhanced Service Providers ("ESPs"), which include Internet Service Providers ("ISPs") and Information Providers ("IPs") located in selected markets in the northeastern United States.

As of February 1, 1999, the Company had obtained CLEC certification in thirteen states and has pending applications for CLEC certification in three other states.

As of December 31, 1997, the Company has three exclusive sales reseller agent agreements for ESP services with three Local Exchange Carriers ("LECs" or "Connecting Carriers"). These agreements provide the rates and terms for the resale of telecommunication services and for the commissions to be paid to Eagle for traffic terminated by the LECs to either the Company's equipment or the Company's customers' equipment. These payments are based on the Connecting Carriers revenue received (commonly referred to as "reciprocal compensation") under contract or tariff with local and interexchange carrier customers.

### (2) Summary of Significant Accounting Policies

#### (a) Revenue Recognition

The Company recognizes revenues on telecommunication services to ESPs in the period that the service is provided. The Company accrues unbilled revenues earned from the dates customers were last billed to the end of the accounting period. The Company recognizes sales agent revenue pursuant to telecommunication service contracts in the period earned. Revenue on billings to customers in advance of providing service is deferred and recognized when earned.

#### (b) Property and Equipment

Property and equipment are stated at cost and consist of computer and office equipment. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. All equipment is depreciated over a period of three to five years.

#### (c) Fair Value of Financial Instruments

As of December 31, 1997 and 1996, the fair values of the Company's financial instruments, including cash, receivables, accounts payable and note payable to stockholder, approximate their carrying value.

# EAGLE COMMUNICATIONS, INC.

## Notes to Financial Statements

December 31, 1997 and 1996

### (d) *Income Taxes*

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay Federal income taxes on its taxable income. Instead, the stockholder is liable for Federal income taxes on the Company's taxable income. Accordingly, these financial statements do not contain a provision for Federal income taxes. The Company is subject to New York State gross receipts tax and New York City income and utility tax.

Deferred state income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable earnings. Deferred taxes would be provided only for state/local municipalities that do not recognize Subchapter S corporations or the Company has not elected to be a Subchapter S corporation in that state/local municipality.

### (e) *Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of*

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company reviews for the impairment of long-lived assets and certain identifiable intangibles to be held and used by the Company whenever events and changes in circumstances indicate that the carrying value of an asset may not be recoverable (see note 3).

### (f) *Advertising Costs*

The Company expenses advertising costs in the period incurred. Advertising expense was \$33,219, \$0- and \$0- for the years ended December 31, 1997, 1996 and 1995, respectively.

### (g) *Business Concentrations*

The Company is exposed to concentration of credit risk principally from accounts receivable. At December 31, 1997, the Company's receivables are concentrated in the northeastern section of the United States. The Company performs ongoing credit evaluations of its customers but does not require collateral to support customer receivables. Credit risk is reduced by the fact that the Company's most significant receivables are from large, well-established telecommunications entities to whom the Company is providing local dial tone, a core service to these entities' operations.

The Company is dependent upon certain suppliers for the provision of telecommunications service to its customers. The Company has telecommunication service agreements with three suppliers which expire at various dates in 2000 and 2002. Management believes that suitable agreements can be negotiated in the future and, accordingly, does not expect any disruption of service.

# EAGLE COMMUNICATIONS, INC.

## Notes to Financial Statements

December 31, 1997 and 1996

The Company has two telecommunication providers which account for approximately 74% and 20% of accounts receivable at December 31, 1997. The Company has two telecommunication providers which account for approximately 83% and 13% of revenues for the year ended December 31, 1997. No telecommunication provider accounted for more than 10% of accounts receivable or revenue at December 31, 1996 and 1995.

### (h) *Risks and Uncertainties*

#### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Actual results could differ from those estimates. Estimates are used in determining the allowance for doubtful accounts, depreciation and the realization of deferred tax assets.

#### *Regulatory*

The regulatory environment in which the Company operates is undergoing significant change. As this regulatory environment evolves, changes may occur which could create greater or unique competitive advantages for all or some of the Company's current or potential competitors, or could make it easier for additional parties to provide services.

#### *Taxation*

The taxation of certain telecommunications revenue is evolving and is not specifically addressed by many of the states in which the Company does business. While the Company believes it has adequately provided for any such taxes it may ultimately be required to pay, certain states may enact legislation or interpret current laws in a manner resulting in additional tax liabilities.

### (i) *Commissions*

Commissions to customers are paid and expensed based on the rates per minute outlined in each telecommunication services agreement. Commission payments are contingent upon the Company's collection of the corresponding minutes of use billings from the connecting carrier. For the years ended December 31, 1997, 1996 and 1995, commission expense to customers of \$2,134,260, \$-0-, and \$-0-, respectively, is included in cost of services.

### (j) *Reciprocal Compensation*

The Telecommunications Act of 1996 (the "Act") requires that Incumbent Local Exchange Carriers ("ILECs") provide reciprocal compensation to a CLEC relating to the transport and termination of traffic between the CLEC and the ILEC. ILECs have historically disputed certain reciprocal compensation charges related to ISPs on the position that these changes are not local

# EAGLE COMMUNICATIONS, INC.

## Notes to Financial Statements

December 31, 1997 and 1996

traffic. The resolution of these disputes will be based on rulings by state public utility commissions ("PUCs") and/or by the Federal Communications Commission. To date, 25 state PUCs have ruled on the issue, all of which have ruled that ILECs must pay compensation to CLECs for local calls to ISPs located on CLECs' networks.

For the year ended December 31, 1997, sales agent revenue of approximately \$2,900,000 is derived from the interconnection agreements in place between the Company's Connecting Carriers and their respective ILECs. No commissions revenue was earned for the years ended December 31, 1996 and 1995.

### (3) Property and Equipment

Property and equipment consist of the following at December 31:

	<u>1997</u>	<u>1996</u>
Computer equipment	\$ 10,396	10,396
Office equipment	217,578	13,356
Less accumulated depreciation	<u>(89,479)</u>	<u>(20,571)</u>
	<u>\$ 138,495</u>	<u>3,181</u>

Depreciation expense amounted to \$22,571, \$5,220 and \$6,604 for the years ended December 31, 1997, 1996 and 1995, respectively.

During 1997, the Company purchased two voice response units for approximately \$173,000. Since these assets will not be used subsequent to their purchase, the Company evaluated the recoverability of the units utilizing current market prices. At December 31, 1997, the Company adjusted the carrying value of the units of \$154,000 to their estimated fair value of approximately \$108,000, resulting in a write-down of the related assets of approximately \$46,000. Such assets were sold in 1998 for approximately \$108,000.

### (4) Loan Payable to Stockholder

In 1992, the Company entered into a loan agreement with the Company's sole stockholder, who is the President of the Company, for \$95,015 under the terms of a demand note payable, bearing interest on any unpaid principal amount at the rate of 9%. Under the terms of the amended loan, interest accrues from January 1, 1997 and is payable annually beginning January 31, 1998. Interest expense and accrued interest amounted to \$8,551 for the year ended December 31, 1997. Repayment of the loan shall not occur prior to December 15, 1999.

# EAGLE COMMUNICATIONS, INC.

## Notes to Financial Statements

December 31, 1997 and 1996

### (5) Income Taxes

Income tax expense represents state and local income taxes on telecommunication revenues.

		<u>Year ended December 31</u>		
		<u>1997</u>	<u>1996</u>	<u>1995</u>
State and local:				
Current	\$	41,000	—	—
Deferred		<u>(7,000)</u>	<u>—</u>	<u>—</u>
Total tax expense	\$	<u>34,000</u>	<u>—</u>	<u>—</u>

The tax effects of temporary differences that give rise to state and local deferred taxes are as follows:

		<u>December 31</u>	
		<u>1997</u>	<u>1996</u>
Deferred tax asset:			
Allowance for doubtful accounts	\$	7,000	—
Total deferred tax asset		<u>7,000</u>	<u>—</u>
Less valuation allowance		<u>—</u>	<u>—</u>
Net deferred tax asset	\$	<u>7,000</u>	<u>—</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment.

### (6) Related Party Transactions

Under an annual management services agreement dated January 1, 1997, American Network Inc. ("ANI"), an entity affiliated with the sole stockholder, provides administrative services to the Company. For the year ended December 31, 1997, ANI incurred \$342,849 for services rendered on behalf of the Company and billed the Company \$159,849. The remaining amount of approximately \$183,000 of these charges were waived and the Company recorded the amount waived as expense and a capital contribution by the stockholder.

# EAGLE COMMUNICATIONS, INC.

## Notes to Financial Statements

December 31, 1997 and 1996

During 1996, the Company entered into a noninterest-bearing promissory note with an employee for \$3,000, payable on demand. Such loan was repaid in 1998.

For the years ended December 31, 1997, 1996 and 1995, Multimedia Inc. ("Multimedia"), an affiliated entity, provided advertising services for the Company in the amounts of \$20,949, \$-0- and \$-0-, respectively.

For the years ended December 31, 1997, 1996 and 1995, the Company recognized revenue of \$2,500, \$-0- and \$-0-, respectively, from Diamond Entities, Inc., an affiliated entity.

For the years ended December 31, 1997, 1996 and 1995, the Company had a short-term, noninterest-bearing loan payable to a related telecommunications company in the amount of \$9,210, \$1,000 and \$-0- respectively.

### (7) Commitments

#### *Litigation*

In August 1997, BellSouth Telecommunications, Inc. ("BellSouth"), indicated that it was not obligated to make reciprocal compensation payments to a CLEC with respect to calls made to certain customers, primarily ISPs. From that date, BellSouth has withheld payments to CLECs for such traffic. In February 1998, the North Carolina Utilities Commission ("NCUC") ordered BellSouth to pay the disputed reciprocal compensation. In April 1998, BellSouth filed an appeal of the NCUC order with the U.S. District Court; the parties are currently awaiting the decisions.

A portion of the Company's revenue is derived from a CLEC which receives reciprocal compensation payments from BellSouth. Management believes that such payments are due to the CLEC pursuant to the CLEC's interconnection agreements with BellSouth. However, a final determination that the CLEC is not eligible for reciprocal compensation with respect to such calls could have a material effect on the Company's financial condition and future result of operations. Since the Company's accounts receivable relating to this case is subject to the final NCUC ruling, the Company has reserved the \$79,000 due from the CLEC at December 31, 1997.

#### *Telecommunication Service Agreements*

The Company has minimum volume commitments of approximately 50-60 million minutes per month with three LECs which, if not met, may change or terminate the Company's exclusivity agreements with these LECs. As of December 31, 1997, the Company anticipates that it will fulfill these commitments.



# EAGLE COMMUNICATIONS, INC.

## Notes to Financial Statements

December 31, 1997 and 1996

### *Regulatory*

The Company is subject to regulation by various government agencies and jurisdictions and believes it is in compliance with all applicable laws and regulations. However, implementation and interpretation of the Act is ongoing and subject to litigation by various Federal and state agencies and courts. As a result, the impact of the Act on the Company is not yet completely determinable and future interpretations and rulings may impact the financial position and results of operations of the Company.

### *Contingencies*

The Company's budgeted expenditures for 1998 are approximately \$500,000 and certain commitments have been entered into in connection therewith.

In 1998, the Company revised its annual management services agreement and has an annual obligation through 1999 to pay estimated management services fees of \$789,000 to ANI, a related party.

### *Year 2000 (Unaudited)*

The Company has considered the impact of Year 2000 issues on its computer systems and applications and developed a remediation plan. Conversion activities are in progress and are expected to be completed by August 1999.

The Company is in the process of identifying and contacting critical suppliers and customers whose computerized systems interface with the Company's systems, regarding their plans and progress in addressing their Year 2000 issues. The Company has received varying information from such third parties on the state of compliance or expected compliance. Contingency plans are being developed in the event that any critical supplier or customer is not compliant.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's operations, liquidity or financial condition.

The Company has not yet estimated its projected expenditures for Year 2000. For the year ended December 31, 1997, expenditures for Year 2000 amounted to \$-0-.

### (8) *Subsequent Events (Unaudited)*

During 1998, the Company entered into two Interconnection, Resale and Unbundling agreements with ILECs in the states of New York and Illinois.